Annual Report

for

2005

Nova Scotia Real Estate Commission

2006
Annual General Meeting

March 23, 2006

Notice of Annual General Meeting

for the

Nova Scotia Real Estate Commission

Auditorium, 7 Scarfe Court, Burnside, NS

Thursday, March 23, 2006
1:00-2:30 PM

AGENDA

Chairman - Neil Black

1. Call to Order
2. Introduction of Head Table - Neil Black
3. Commission Chairman's Report - Neil Black
4. Finance & Recovery Fund - Howard Oakey
5. Licensing Committee - Valerie Folk
6. Complaint Review Committee - Howard Oakey
7. Discipline Committee - Charles Pace
8. Review of the election procedures by the Registrar
9. Address by Nominees (*each will be allowed 2 minutes to speak*)
10. Election - first ballot
11. Open Forum - This will be an opportunity for licensees to ask questions for the Commission's comments or to bring forward items for the Commission to consider in their upcoming discussions.
12. Results of first ballot and start of second ballot if necessary
13. Further ballots if required
14. Adjournment

Nova Scotia Real Estate Commission

Shown below are the terms of the members of the Commission. All of the Commissioners serve for a three year term, regardless of whether they are appointed or elected. Each year one position in each of the three categories (licensee election, NSAR appointment, public appointment) comes due.

NSAR Appointments

Name	Term Expires	From	Brokerage
Roger Burns	April 30, 2006	Sydney	Roger Burns RE
Charles Pace	April 30, 2007	Halifax	Harbourside Realty
Mary MacDonald	April 30, 2008	Liverpool	Walt MacDonald RE

Elected Commissioners

Neil Black	April 30, 2006	Dartmouth	Aberdeen Comm.
Valerie Folk	April 30, 2007	Bedford	Royal LePage Atl.
Eldon Chaisson	April 30, 2008	Halifax	RE/MAX Nova

Government Appointments

Charles Lorway, Q.C.	Resigned January 2006	Sydney
Howard Oakey	October, 2008	Bedford
Gus Wedderburn	January, 2008	Halifax

Commission Staff

Cathy Campbell
Bookkeeper

Pamela Crane
Licensing Officer

Elaine Moulton
Administrator

Carolin Henderson
Compliance Auditor

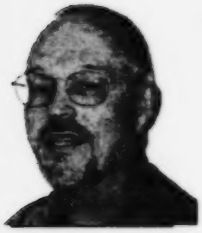
Douglas Dixon
Registrar

Brad Chisholm
Compliance Officer

Commissioners

Neil Black
Chairman

Mary MacDonald
Licensing Committee



Howard Oakey
Vice-Chair
Complaint Review Committee
Finance & Recovery Fund

Valerie Folk
Licensing Committee
Finance Committee

Roger Burns
Licensing Committee
Finance Committee

Eldon Chaisson
Complaint Review

Gus Wedderburn
Licensing Committee

Charles Lorway, Q.C.

Charles Pace
Discipline Committee

Doug Dixon
Registrar

Message from the Chairman

The Commission, as a regulatory body, has the responsibility of protecting the public in their real estate dealings. Although the Commission must always keep the position of industry members in mind, the primary role of Commissioners is to look at each decision and policy and ensure that the end result is in the best interests of real estate consumers.

During the year, a significant portion of the Commission's work is to deal with a wide variety of practice issues and administrative matters. These issues come forward from the public and Industry Members, or as a result of situations in which the Registrar and the Commission become involved. The Commissioners usually meet once every quarter and the meetings always involve lots of discussion and debate. The most significant issues in 2005 were:

- Errors & Omissions Insurance
- Continuing work on the Agency Task Force Report Recommendations
- Lawyers trading in real estate

All three of these issues are very important and have long lasting implications for consumers and their interaction with the real estate industry. You will find more detailed information on these issues later in this Annual Report.

The Commission, both financially and administratively, is run on a very tight budget. The continuing low interest rates and a slowly improving investment climate have had an ongoing effect on the Commission's income, resulting in an increase in licensing fees. On the expense side, the Commission has been pretty frugal in its operations. Staffing levels are the minimum necessary to carry out the work of the Commission and other expenses are very focused on specific functions. Included in the 2006 Budget are several significant changes. The most significant one is a ten year plan to create an operating reserve fund to assist the Commission with cash flow issues, and protect it against unexpected expenses or a significant drop in the number of Industry Members. The Commission has also eliminated the Recovery Fund fee for all Industry Members that have been in a licensing category for over five years. A per diem has also been instituted to recognize volunteers' time carrying out the work of the three main standing committees of the Commission.

The liaison committee meetings between the Commission and the Association continue to provide a forum for discussion of a wide variety of issues, and for each organization to better understand the other organization's point-of-view.

I want to thank the current Commissioners and committee members for their efforts throughout the year. The time spent by both the Commissioners and committee members amounts to many hundreds of volunteered hours and benefits all 1,600 Industry Members in the province. We are fortunate to have so many willing volunteers that bring a wealth of experience and insight to the table on the many issues that get discussed. I also want to give a big thank you to the staff. The Commission's operations always run smoothly and professionally providing information and service to both the public and Industry Members, as well as supporting the work of the Commissioners and committees. As a result of the efforts of volunteers and staff, Nova Scotia is able to remain at the forefront of regulation of the real estate industry, staying current with the issues and being very proactive.

On Thursday, March 23rd 2006, the Annual General Meeting of the Commission will be held in the auditorium at 7 Scarfe Court. I strongly encourage you to attend. This is your opportunity to get an update on the Commission's work, to elect an Industry Member to the Commission and to provide feedback to the Commissioners. I hope you are able to invest the time to participate.

Neil Black
Chairman

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Registrar's Report

Throughout 2005, the Commission continued to work on two major initiatives, most notably the new audit process and the implementation of the Agency Task Force recommendations.

The new audit process was fully implemented in 2004. Carolin Henderson, the new Compliance Auditor is doing an excellent job, along with the other staff. There were 198 trust account audits completed, as well as 188 full brokerage audits. Staff has noticed a significant improvement in brokerage records and practices as compared to earlier audits in previous years that were done on a less frequent basis. The purpose of this audit program is twofold. First, they are done to ensure compliance with the Act and By-Law. Secondly, they are done from an education point-of-view to help Industry Members improve their record keeping and practices. That ultimately will mean fewer complaints and happier consumers, which in the long run means the public will see Industry Members in a more positive light.

The implementation of the Agency Task Force recommendations is progressing. I believe the implementation of these recommendations is one of the most important shifts in both industry practices and the regulation of the industry in my 25 years in the real estate industry. These changes will provide for greater consumer protection and strengthen the position of Industry Members in many areas. More detail on the progress of implementing these recommendations can be found elsewhere in this report.

I am pleased to be able to serve on the Board of Directors of ARELLO, which is the international organization for real estate regulators. Being directly involved in projects and discussions at this level gives me a much broader view of the regulatory issues throughout Canada and the United States, as well as the issues before regulators in many other member countries. It is always interesting to see how common the issues are, whether the transactions are here in Nova Scotia, in some US states or in South Africa or Australia. Even though the issues may be fairly common, the approach to solving them can be quite different. In the US, the most common approach every time an issue surfaces, is to create a change in legislation to deal with it. I can comment that I believe Nova Scotia is being very progressive and current on how it regulates the real estate industry.

I would like to take this opportunity to thank the staff of the Commission for their professionalism and their attention to detail. As Registrar, I often receive compliments from Industry Members and the public on how well they were treated or how helpful a staff person was when they needed information or had a problem they were trying to resolve.

In closing, please feel free to call the Commission office should you need information or have a problem involving a real estate transaction. The Commission staff is here to help. Also, if you are aware of a member of the public that is having or has had difficulties in their real estate dealings, please pass on the Commission contact information if you feel the Commission can be of assistance.

Douglas Dixon
Registrar

Licensing Committee

Valerie Folk	Chairperson and Commissioner	Halifax
Mary MacDonald	Commissioner	Liverpool
John Walker	Member	Halifax
Paula Pulling	Member	Bedford
Ruth Harding	Member	Bedford
Gus Wedderburn	Commissioner (Public Member)	Bedford
Douglas Dixon	Registrar	
Pamela Crane	Licensing Officer	

I am pleased to have chaired the Licensing Committee for another year. The Licensing Committee is mandated to review the licensing decisions and recommendations of the Registrar, to research licensing issues and to make recommendations to the Commission on any issues concerning licensing.

During the past year, the committee reviewed all exemptions to the licensing requirements and made decisions on exemption requests from applicants. The committee also reviewed any conditions the Registrar placed on Industry Members. The most common exemption request is for a waiver of the three years experience as a salesperson. This usually comes from people with direct sales/leasing experience or equivalent experience.

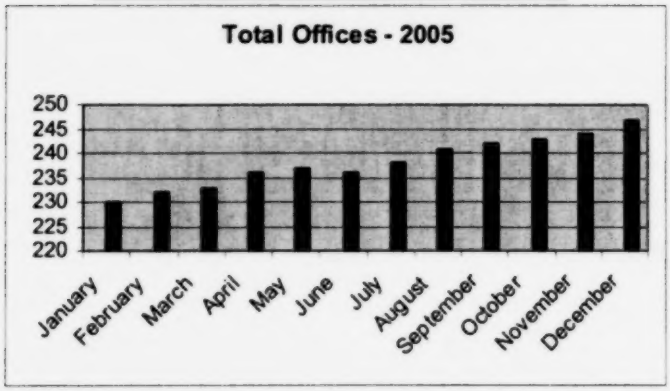
There was one Licensing Hearing scheduled at the end of 2005. The Registrar refused to re-license an Industry Member that had been terminated. The refusal was based on information that had come to light regarding the Industry Member's trading practices and a refusal by the Industry Member to cooperate in an investigation. The applicant appealed Registrar's refusal to be re-licensed to the Licensing Committee, but withdrew the appeal just before the hearing date.

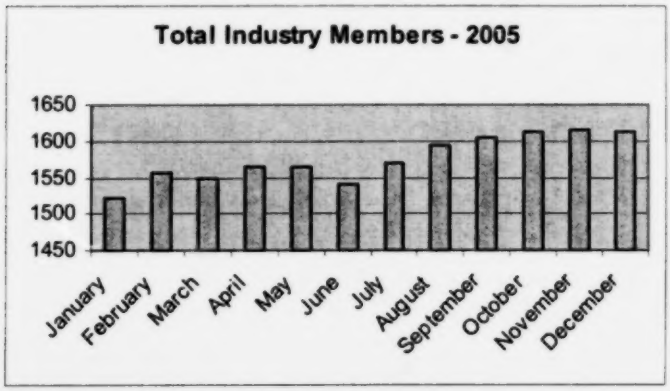
The major issue for the Licensing Committee this past year was a recommendation to the Commission that the NSAR proposal for the complete redesign of the Broker Licensing Course. The Commission approved the recommendations, including a cost sharing agreement with NSAR. This will result in a significant improvement to the course, which will include a 40 hour online pre-classroom primer in preparation for a ten day classroom course. This is expected to replace the current six day course in the fall of 2006. The Director of Education for NSAR kept the Committee informed on the refining of the Salesperson Licensing Course. The upcoming agency course requirements have also been discussed. NSAR, working with ACRE (Alliance for Canadian Real Estate Education) is in the process of developing a two part agency course that will be rolled out in Nova Scotia between September 2006 and March 2008. The Commission has approved the first part of this agency course to be the total mandatory course requirement for the 2006-2007 licensing cycle.

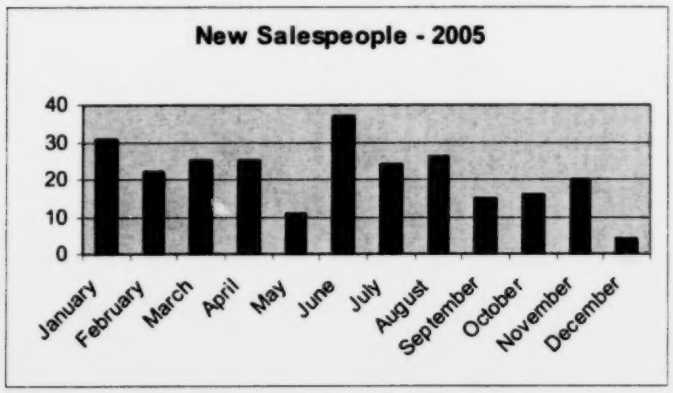
I would ask that any Industry Members with suggestions or concerns related to licensing issues forward them to the Commission for discussion and consideration. In closing, I want to thank the members of the Committee for their efforts and many hours spent working on behalf of the Commission.

Valerie Folk
Chairperson

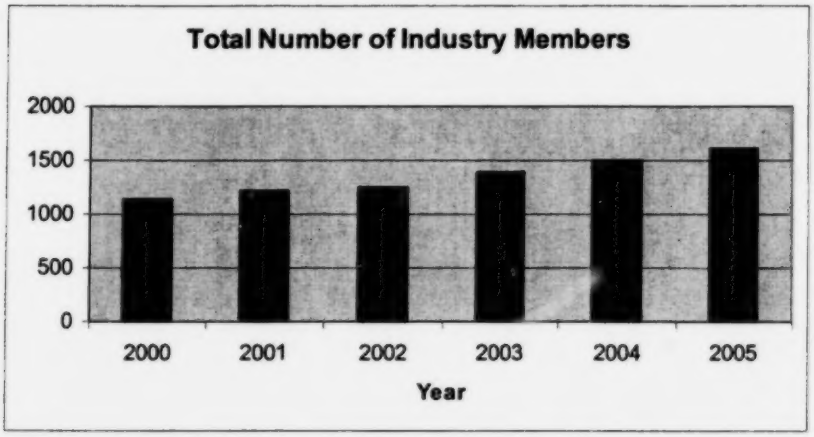
Licensing Statistics - 2005

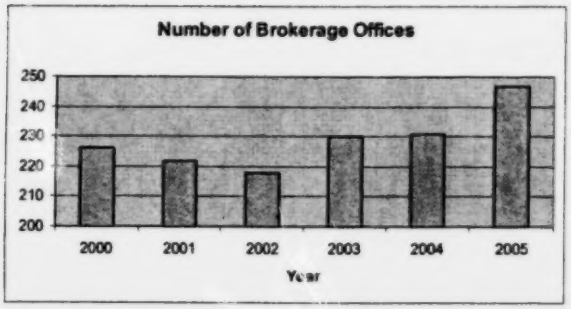


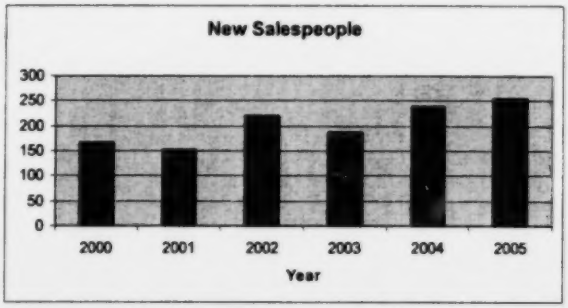


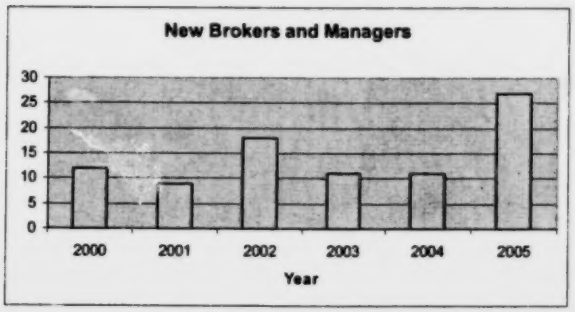


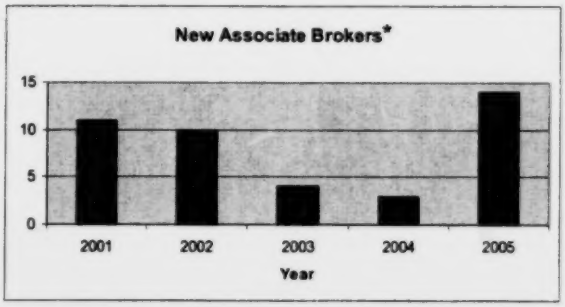
Licensing Statistics - Year to Year Comparison











* Please note, there was not an Associate Broker licence category prior to 2001.

Complaint Review Committee

Howard Oakey	Chairperson - Commissioner	Bedford
Eldon Chaisson	Commissioner	Halifax
Charles Pace	Commissioner	Halifax
Jim Woods	Member	New Glasgow
Lynn Hoffmann	Member	Kentville
Marg Bowlen	Member	Dartmouth
Tony Walters	Member	Lunenburg
Gordon Burns	Member	Dartmouth
Douglas Dixon	Registrar	
Brad Chisholm	Compliance Officer	

I am pleased to report the number of complaints dealt with by the Commission is the second lowest in the Commission's nine years. Only 2004 had fewer complaints. Shown on the following pages are statistics showing where complaints have come from, the types of complaints made and the disposition of the complaints.

The most common issue that is at the core of many of the complaints continues to be poor communications. Most often it is a lack of communication that prevents a client or customer from being fully informed before they make a decision or take action or, in some cases, inappropriate communications. Industry Members are required to keep their clients fully informed of all facts that the Industry Member is aware of. Alternatively, Industry Members should not communicate information that they have not been authorized to pass on or communicate to parties they are not permitted to deal directly with, such as clients under contract with another brokerage.

The Complaint Review Committee met four times during 2005 to review all matters relative to complaints investigated by the Commission staff. The mandate of this committee is to review all proposed Settlement Agreements and any requests for a review, by a member of the public, of a decision of the Registrar. In practice, the Committee reviews all complaints, whether they are dismissed, dealt with through a Settlement Agreement or being sent on for a Discipline Hearing.

The Committee can approve the decision of the Registrar to dismiss a complaint or to have it dealt with through a Settlement Agreement. The Committee can also reverse or alter the decision of the Registrar by altering the terms of the Settlement Agreement, not allow a complaint to be dismissed or send a matter on to the Discipline Committee. There have only been approximately ten instances, out of over 440 investigations since the Commission began, where the Committee has changed a decision of the Registrar. Of these, seven had the penalties increased and three had them decreased.

The Committee, on average, reviews 8-10 complaints at each quarterly meeting. This involves the Committee members, in advance of the meeting, reviewing a case summary of each complaint and discussing the case at the Committee meeting with staff. In unusual circumstances, or in situations that are new to the Commission, the Registrar may bring a case to the Committee for its opinion prior to proceeding further.

I would like to thank the committee members for their time and effort they have devoted to the work of the committee. The Complaint Review Committee meetings always involve lots of lively discussion and debate. The Commission takes its responsibilities seriously and makes every effort to be fair to consumers and balanced in its approach to Industry Members.

Howard Oakey
Chairperson

Audits & Investigations - Compliance Officer's Report

2005
RAISING THE BAR

Audits

We have completed the first year of our new audit initiative whereby all **Trust Account audits** will be carried out annually by Commission audit staff. **Brokerage audits**, which incorporate a more detailed review of transaction file record keeping, will be carried out on a three year cycle. This means that every brokerage will receive an annual trust account audit and every third year the audit will be expanded to incorporate a full brokerage audit.

In 2005, 188 Brokerage audits and 198 Trust Account audits were conducted. The results of these audits support a definite improvement trend in trust account and property transaction record keeping by brokerages.

Commission audits are used as an educational vehicle to increase broker awareness of deficiencies in record keeping with the overall goal of protecting the public interest. The audits also provide the Commission with useful feedback to identify problem trends in the industry that can then be addressed through continuing education courses and province wide industry bulletins.

Brokers should note, however, that if audit findings consistantly demonstrate a failure to comply with trust account and record keeping requirements, serious discipline action may result.

Investigations

The number of complaints received during 2005 was consistent with that of 2004. The number of investigations initiated was up slightly. The number of investigations involving charges was also higher in 2005 compared to 2004 results. Some charges laid in 2005 corresponded to 2004 investigations, still ongoing at the beginning of 2005.

At the beginning of 2005, 10 investigations from 2004 were outstanding. During 2005, the Commission received 37 real estate complaints from public sources. From the 37 complaints received, 30 investigations were initiated.

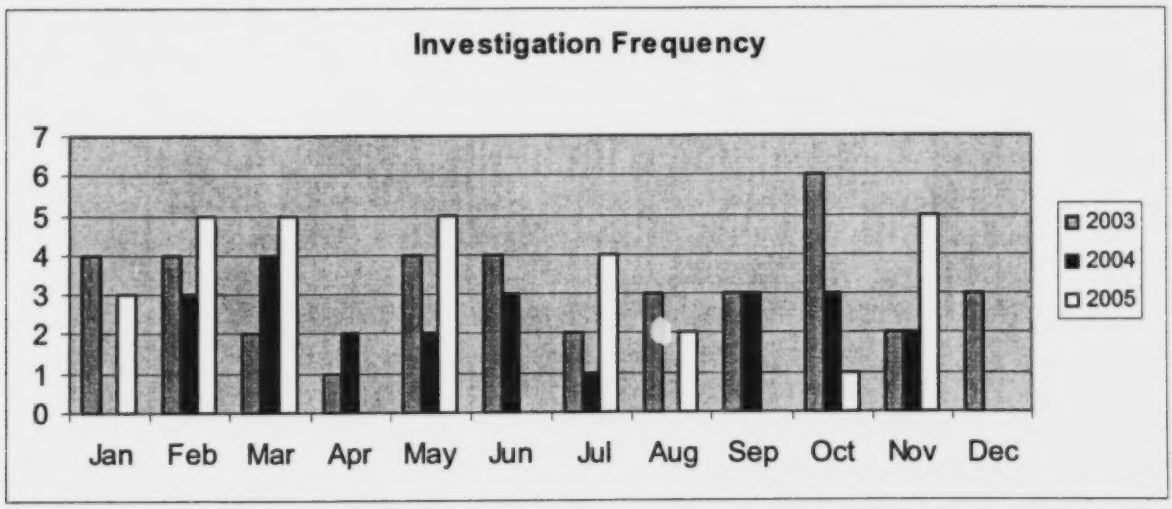
Of the 10 cases from 2004, 9 were closed during 2005 and 16 investigations initiated in 2005 were closed by year-end leaving 14 outstanding.

Origin of Investigations Initiated in 2005

In 2005, all 30 investigations were initiated through written public complaints. This has been a consistent trend in recent years.

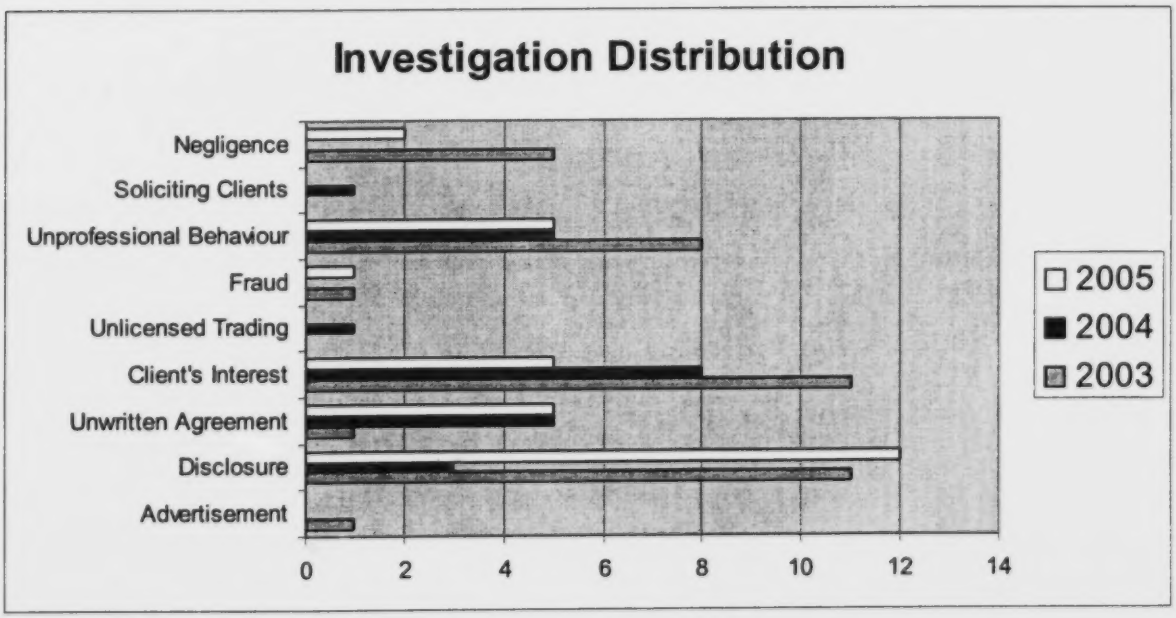
Frequency

The chart below summarizes comparative figures for the total number of investigations initiated each month.



Distribution

This chart summarizes the distribution of the 30 investigations initiated in 2005 by type. Comparative figures are also shown for 2004 and 2003.

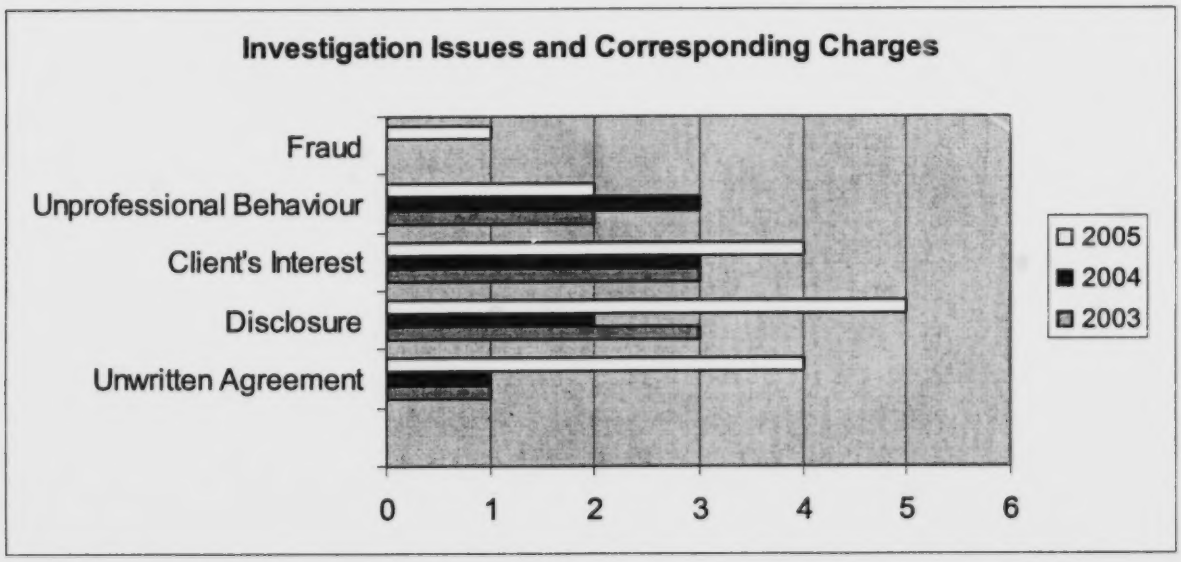


Examples:

- Negligence – Incomplete or improperly completed real estate forms, showing a property without authorization
- Soliciting Clients – Knowingly soliciting another Industry Member's client
- Deposit Dispute – Failing to obtain a buyer's deposit as per the agreement of purchase and sale
- Unprofessional behavior – Failing to cooperate with other Industry Members, yelling at clients/ customers
- Miscellaneous – Failing to respond to a real estate complaint within the designated time period set by the Compliance Officer
- Unlicensed Trading – Marketing property without a license, unlicensed brokerage employee trading
- Client's Interest – Failing to follow up with a client before financing/inspection deadlines expire
- Unwritten Agreement – Not obtaining written and signed extensions/amendments
- Disclosure – Failure to disclose septic problems, failing to verify listing information
- Advertisement – Misleading advertising, failure to include full brokerage name in an advertisement
- Fraud – Misappropriation of trust funds, forging signatures or initials
- Public Discredit – Making derogatory remarks about another Industry Member
- Commission Dispute – Misinforming listing clients as to commission payable

CHARGES

Of the 26 investigations closed during 2005, 16 resulted in formal charges. The following chart summarizes the distribution of charges laid in 2005 according to type. Comparable figures are also shown for years 2004 and 2003.



Example of Penalties Levied Through Settlement Agreements

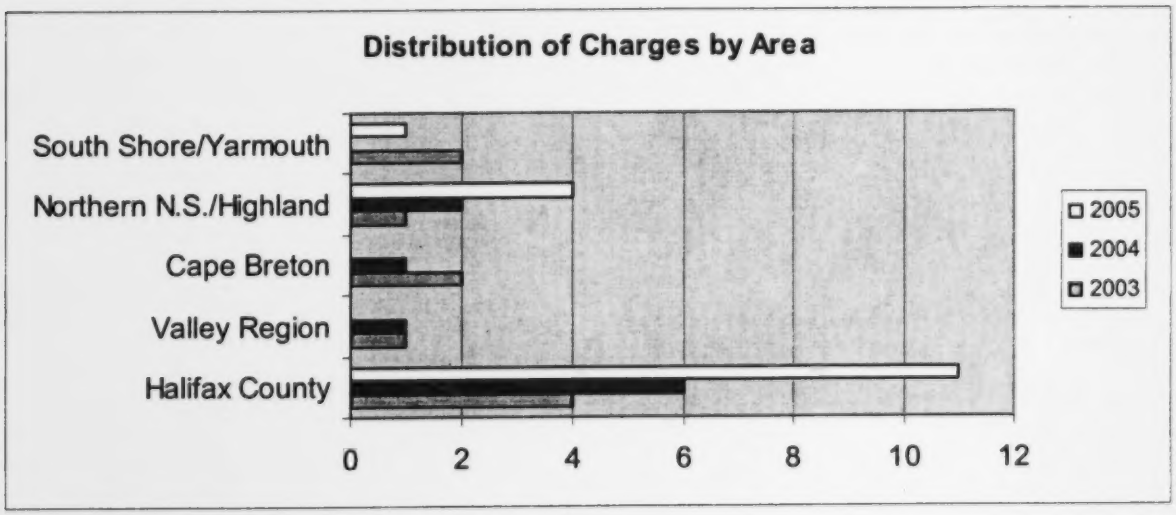
TYPE	PENALTY (FOR FIRST TIME OFFENCES)[1]
Unprofessional Conduct	$300 fine & Reprimand
Client's Interest	$500 fine
Disclosure	$500 fine
Unwritten Agreement	$400 fine & course requirement
Negligence	$500 fine & Reprimand
Deposit Dispute	$500 fine & Reprimand
	PENALTY (FOR REPEAT OFFENCE)
Unwritten Agreement	$500 - 1,000 fine
Client's Interest	$500 - 700 fine
Disclosure	$1,000 fine

Discipline Decision

In 2005, a discipline matter, that originally went to a hearing in 2004, was appealed by the respondent to Supreme Court and then was sent back to the Hearing Panel. The Judge did not disagree with the finding of guilt, but wanted the Hearing Panel to give proper reasons for the sanctions. The final decision was a permanent loss of licence and a requirement to pay approximately $10,000 in costs. The main infractions were fraud, unprofessional conduct and not cooperating with an investigation. The Hearing Panel's decision was not appealed.

Provincial Summary

The following chart presents the distribution of 2005 charges by area. Figures for 2004 and 2003 are also provided for comparison purposes.



[1] All fines are allocated for educational purposes

Avoid Unnecessary Problems

The following are typical examples of compliance issues that are regularly identified as a result of public and Industry Member complaints. It cannot be emphasized enough that the following situations are commonly grounds for disciplinary action.

- Unwritten extensions and/or amendments to real estate agreements
  (Commission by-law 702, Article 11)
- Failing to disclose a multiple offer situation to another agent
  (Commission by-law 702, Article 12)
- Unwritten agency disclosure to clients/customers
  (Commission by-law 702, Article 3)
- Advertising that is misleading to the public
  (Commission by-law 708 (a)(iii))
- Failing to cooperate with a Commission investigation
  (Trading Act Section 17 (4) and Commission by-law 810)
- Publicly discrediting a fellow Industry Member
  (Commission by-law 702, Article 26)
- Failing to discover and disclose pertinent facts about properties
  (Commission by-law 702, Article 10)
- Real Estate forms not completed properly
  (Commission by-law 702, Article 11)
- Showing a property without authorization
  (Real Estate Trading Act Section 22 (1) (a))

Remember

It is the Commission's policy that when an investigation of a transaction(s) is initiated, either from a specific complaint or at the discretion of the Registrar, the transaction(s) is reviewed from beginning to end. This includes a review of all agreements/documents connected to the transaction(s). Brokers can be charged for not properly supervising agreement preparation by salespersons as well as improper trust fund handling. Typical penalties against brokers are fines and in some cases the requirement for the broker to re-complete the broker/associate broker licensing course and to pass the exam.

The best remedy for avoiding fines and course requirements on document preparation is prevention. Make sure agreements are signed and initialed by all parties, use proper forms and never rely on verbal agreements.

Trade Practices - Recurring Problems

Multiple Offers

The Commission regularly receives complaints from both Industry Members and the public concerning mishandled multiple offer situations. Multiple offer situations can arise very quickly and may include offers from various sources.

Most often, problems arise when the listing agent fails to properly notify all buyers' agents that multiple offers have been received. If proper notice is not made an unsuccessful buyer (or his/her agent) may see reason to file a complaint citing allegations of favoritism and/or conflict of interest. It is also a disservice to the seller, since one or more buyers may not have the opportunity to submit their best possible offer.

The Commission's By-law addressing multiple offer disclosure is 702, Article 12. First offence for having violated this By-law Article normally involves a fine up to $500.00. Subsequent offenses of similar nature involve much higher fines.

It is therefore very important that the proper disclosure requirements are carried out by the listing agent. Consider the following practice:

- Discuss with and prepare seller clients for multiple offer situations before they happen.
- Time is always of the essence but this is especially so when dealing with multiple offers. As the listing agent you need to advise all competing parties that they are now in a multiple offer situation and invite any and all parties to make changes to their offer if desired. (If you call an Industry Member and get a voice message service, leaving a voice message advising of the multiple offer situation satisfies the disclosure requirement. However, don't stop trying after just one call because remember you are working in the seller's best interests.)
- Do not discuss particulars of any of the offers with the competing parties.
- If you anticipate a revised offer but have not received it make sure the seller is aware of this. The seller can then make the decision to wait or to proceed with the offer(s) at hand. Let the seller call the shots.

Deposit Rules

The Commission receives regular complaints from angry buyers upset because their deposit funds have not been automatically returned upon their deal falling. In most instances, it turns out the buyer was never informed by his/her agent how deposits are actually handled and what the listing brokerage requires in order to release deposit funds. More often than not the buyer is most upset about having not been informed about the mechanics of this process prior to making an offer.

Remember, a brokerage needs written authorization from all parties to a contract to release deposit funds. Many people think that if an Agreement of Purchase and Sale states a deposit will be returned failing a condition, then the funds are released automatically. This is not the case. The brokerage holding the deposit must receive "written authorization" from all parties to the contract.

....continued

Trade Practices - Recurring Problems

Normally this is done through a signed Termination and Mutual Release of Agreement of Purchase and Sale form. However, any written authorization is acceptable as long it is dated and the party's signature is affixed.

It is a popular misconception that a buyer will not provide a deposit, or that the deposit amount will be less, if he/she is informed about trust fund procedures and requirements. Consumers understand that sizable deposits are a demonstration of good faith towards a purchase and can be instrumental in securing accepted offers.

Defect Disclosure

Several investigations were initiated this year as a result of complaints against agents who allegedly failed to disclose latent defects. If a listing agent chooses to arbitrarily withhold pertinent information about a property, he/she may land their client in court and he/she may land themselves in front of a Discipline Hearing Panel. Industry Members **must disclose** any latent defects or issues pertaining to a property that may affect a buyer's purchase decision. It is highly recommended that such disclosures be made in writing so that if challenged later, the Industry Member's position can be substantiated. He said / she said cases can still go to a hearing, where it becomes a matter of credibility. Don't gamble with your career, make disclosures in writing.

Incentives and Inducements

Throughout the year, the Commission receives regular complaints from Industry Members concerning incentive promotions advertised by their competitors. As a reminder, incentive offers must be brokerage wide promotions available to all potential clients/customers of that brokerage.

Incentive promotions cannot be offered to potential clients/customers by individual Salespersons, Brokers, Managing Associate Brokers or Associate Brokers. The Commission continually has to contact individual Industry Members advising them of this. To address this ongoing problem, the Commission will now be holding the respective Broker responsible for such violations which may include disciplinary action. To avoid this, Brokers and Managing Associate Brokers must make sure they review and approve all advertising involving their Brokerage to ensure it complies with the Real Estate Trading Act and Commission By-law.

Discipline Committee

Charles Pace	Chairperson - Commissioner	Halifax
Roger Burns	Commissioner	Sydney
Brian Hirtle	Member	Kentville
Don Clark	Member	Dartmouth
Mark Stein	Member	Halifax
Clark Woods	Member	Truro
Douglas Dixon	Registrar	

Hearing Panel Pool

Wayne Sanford	Wolfville
Alan Hennigar	Halifax
Sandra Richards	Bridgewater
Carol Alexander	Chester

There were two hearings held in 2005. A decision of a Discipline Hearing Panel in 2004 was appealed to the Supreme Court of Nova Scotia in the spring of 2005. The Supreme Court heard the appeal and gave its decision in two parts. The Supreme Court felt the Discipline Hearing Panel had conducted the hearing process properly and based on the information before them, found the Industry Member guilty. The Judge was satisfied with the Panel's decision of guilt and with the reasons for that decision. The Judge was not satisfied with the Panel's decision regarding sanctions. The Hearing Panel was instructed to reconvene and hear from both sides regarding sanctions. It could then make a decision on the sanctions, leaving them the same as the first hearing or increase/decrease them. The sanction decision must be accompanied with proper reasons. The Hearing Panel gave a decision on sanctions with reasons. The sanction decision was not appealed by the Industry Member.

A second hearing was held regarding full disclosure. The Industry Member failed to appear. The Hearing Panel continued with the hearing without the Respondent as proper hearing notice had been given. Evidence was presented and the Hearing Panel found the Respondent guilty of the charges. The decision was not appealed.

There is an outstanding Discipline Hearing from 2002 that is currently under appeal to the Supreme Court of Nova Scotia. There were a few preliminary issues for the Judge hearing the appeal to decide and to date no decisions have been made. The Commission has closed this file as the Respondent in this case is no longer licensed.

The main reason there are very few hearings is because the majority of Industry Members charged with breaches of the Act or Commission By-law choose to go through the Settlement Agreement process. For most infractions, this is the best way to resolve the issue, from both the Industry Member's and the Commission's point-of-view.

I wish to thank the committee members for the time they have devoted to hearings.

Charles Pace
Chairperson

Commercial Committee

John Walker	Chair - Commercial Appointment	Halifax
Eldon Chaisson	Commissioner	Dartmouth
Bill Greenwood	Member	Halifax
Tim Margolian	Member	Halifax
Greg Taylor	Member	Halifax
Roger O'Neil	Member	Halifax
Douglas Dixon	Registrar	
Brad Chisholm	Compliance Officer	

It was a pleasure serving as Chair of the Commercial Committee through its second year.

It was an active year, with the main focus on practice issues, such as forms, agency disclosure and audit procedures. Working closely with Commission staff, Commercial Agency Disclosure letters have been approved and will be implemented. Also, the Committee in conjunction with Brian Mann, Director of Education for NSAR, worked to create more commercial oriented continuing education courses, such as, **Legislation and You** and the **Commercial Forum**. Significant discussion took place as to Errors & Omissions Insurance with its impact on commercial since many commercial people are not members of NSAR, as well as the Agency Task Force initiative.

Industry Members involved in commercial transactions are asked to send any concerns or issues they may have to the Commission or to any members of the Committee. The Committee would like to be pro-active on issues concerning the commercial community.

John Walker
Chair

Commercial Appointment to the Commission
John Walker
Halifax

John was appointed by the Commission Board of Directors, in May 2004, to represent commercial practitioners at the Commission table. He was reappointed February 2006 to serve until April 30, 2007.

By-Law Changes

Effective February 24, 2006, the Commission has made numerous changes to the Commission By-Law. They vary from corrections and layout to significant practice or policy changes. The revised By-Law is being distributed with this Annual Report. The significant items are noted below.

- **Terminology** - The term *Industry Member* will now be used instead of *Licensee*.

- **Broker / Associate Broker Applicants** - The requirements regarding the Broker Licensing Course have been aligned with the Salesperson Licensing Course. This means that Broker / Associate Broker applicants must successfully challenge the exam within 12 months of completing the course. Should they fail to successfully challenge the exam within 12 months, they must retake the course. Lastly, they must obtain their licence within 90 days of passing the exam.

- **Signage** - Signage by an Industry Member at a personal residence is not permitted unless the location is registered as a branch office.

- **Branch Office Locations** – The requirements for registering a branch office have been redefined. It now states that all office locations, of a permanent nature, where Industry Members have signage and conduct business, excluding the main brokerage office location, must be registered as a Branch Office. Satellite offices, kiosks and project offices are deemed Branch Offices under this By-Law.

- **Errors & Omissions Insurance** – All Industry Members will be required to carry E&O Insurance effective July 1, 2007. Details on this are found on the next page.

- **Recovery Fund** – The limits for claims have been increased in all categories. The maximum claim amounts against Industry Members are now $25,000 for Salesperson, $50,000 for Broker and $100,000 for Brokerage with any amount over $100,000 requiring payment being made on a pro rata basis.

- **Rebates** – A significant change has been made regarding incentives and inducements. Rebates by brokerages to parties to a transaction will now be allowed. This means that a brokerage may give, to either a buyer or a seller, a cash rebate from the brokerage's commission.

Brokers should review the details of these changes in the By-Law document and discuss these changes with all Industry Members at their brokerage.

Errors & Omissions Insurance

The Nova Scotia Real Estate Commission continued to discuss and debate the issue of Errors & Omissions Insurance in 2005. This resulted in the Commission mandating that all Industry Members have E & O Insurance in effect by July 1, 2006. The Commission felt this was an important issue in protecting the public in their dealings with industry members. The side benefit to industry members is that it will mean that claimants will no longer go after a brokerage that was involved indirectly simply because they have Errors & Omissions Insurance when the primary brokerage involved did not have insurance.

The Commission's mandate requires the Errors and Omission Insurance coverage to meet the following requirements:

(a) the coverage must be for all activities defined by the definition of "trading" as described in the Real Estate Trading Act;
(b) a minimum of $1,000,000 coverage per incidence; and
(c) coverage must insure an Industry Member for seven years after they terminate their licence.

The Commission auditors will be asking to see proof of coverage when they are in brokerages conducting routine audits. The licensing renewal applications will also have a section added that will provide for the broker to declare that coverage is in place.

Legal Counsel for the Commission

Over the last year the Commission has had a change in legal counsel. **Catherine Walker, Q.C.**, of Walker's Law Office Inc., has been the legal counsel for the Commission for almost ten years. Cathy has done an outstanding job for the Commission, the public and the industry at large, in her commitment to advising what is right and fair. She was legal counsel for the Nova Scotia Real Estate Association when the work was being done by the Co-regulation Steering Committee on developing the legislation and By-Law that would eventually be the basis for the Commission's operations.

Cathy regrettably found it necessary to resign as legal counsel as a result of her increased workload and commitments in other areas. The legal workload of the Commission has also increased over the last several years.

Cathy has always been thoughtful in her approach to problems and issues. She is well respected by her peers, government and the real estate industry. The Commission will miss her advice and participation and wishes her well in all her future endeavours.

The new legal counsel is Burchell Hayman Parish, with **Tom Burchell, Q.C.**, as lead council. Burchell Hayman Parish is a large Halifax law firm with expertise in many areas of law that the Commission's work involves such as administrative, contract and real estate law.

The Commission will also continue to use **Alan Stern, Q.C.**, of McInnes Cooper, in discipline and other regulatory matters.

Agency Task Force Report

The work to implement the recommendations from the national Agency Task Force (ATF) Report continues, all be it, at a slow pace. There are a number of initiatives that have been completed and many others are underway.

The Commission has adopted all the non-agency recommendations from the ATF Report and is in the process of implementing them. They include:

- including any definitions that were different or new from those used in the Commission By-Law;
- incorporating the industry member obligations into the Conduct & Trade Practices of the Commission By-Law;
- incorporating disclosure requirements for industry members into the Commission By-Law; and
- replacing the use of the term licensee with industry member.

The Commission is currently working with NSAR to incorporate any non-agency recommendations from the ATF Report into the Appropriate Mandatory Forms. There are four main forms this will affect. They are:

- the Authority to Sell (Listing Agreement);
- Buyer Agency Agreement;
- Limited Dual Agency Agreement; and
- Fee Agreement.

The significant changes are:

- Including brokerage obligations;
- Greater remuneration flexibility and improved ability for brokerages to make claim for commission;
- Better disclosure by industry members and clients/customers;
- Clearer termination terms; and
- more user friendly forms with information better grouped and use of headings for easier reference.

The education required before any changes to agency structure can take place will be implemented in two phases. During the next licensing cycle from July 1, 2006, to June 30, 2007, the mandatory course will consist of a core agency course as agency exists under the law today. There will be no requirement for Industry Members to complete an elective course during this licensing cycle as the agency course will be either a day and a half or two days long. This course will provide a solid base for Industry Members to understand their agency relationships and obligations as they exist today, through contract law, agency law and the Commission's requirements. The second phase will deal with the new agency models of designated agency and transaction brokerage. It is anticipated the second phase of the agency courses will be run as the mandatory course, requiring completion between July 1, 2007, and March 31, 2008. This will allow for the implementation of the new agency alternatives in the spring of 2008.

The Commission will be working with NSAR throughout this period to ensure implementation is carried out as smoothly as possible and that issues and concerns of Industry Members are considered as part of that process.

Finance Committee

Howard Oakey	Chairperson and Commissioner	Bedford
Neil Black	Commissioner	Dartmouth
Valerie Folk	Commissioner	Halifax
Roger Burns	Commissioner	Sydney
Douglas Dixon	Registrar	

This past year has been very stable for the Commission. Last year, the Commission had to increase licensing fees to compensate for the lost interest income and going into 2006 the Commission had to increase fees again. The down side to low interest rates for Industry Members is the Commission has to make increases to licensing fees, the upside to low interest rates has been a continued strong real estate market. The Commission has also considered long range planning in its increase of licensing fees.

Revenues for 2005 came in over budget. Revenue from licensing fees continued to be over budget, mainly due to a higher retention rate for salespeople and a higher number of new applicants. The Commission, in its 2005 budget, thought that there would be a leveling off as the market had cooled slightly, but the increase in Industry Members continued. The Commission felt, in its 2005 budgeting of IBTA revenues, that there would be continued improvement. Unfortunately, interest on trust accounts was under budget as interest remained low throughout 2005. The revenue from the Recovery Fund Investments was over budget and better than the previous three years as the investment climate continued to improve.

On the expense side, most items came in fairly close to budget. The bottom line for expenses indicates that actual expenses were approximately $24,000 over budget, but this does not show a true picture. There were a number of expenses approved as the year went on that were not included in the original budget. These would include $8,400 for the Canadian District of ARELLO meetings, which went through the Commission's accounting system, but netted out with the equivalent amount in Revenue. Expenses also included a bookkeeping entry of over $11,000 for depreciation, which is not budgeted for. There were also significant hearing costs, $9,000 over budget. For more detail on these items, please see the Finance Notes at the end of the financial section of this report.

There are a number of new expenses incorporated into the 2006 budget. They include $5,300 to provide every office with an updated copy of the Provincial Reference Manual, $6,900 for Per Diems to be paid to the three standing committees, $15,000 to reinvest in the Recovery Fund, and $30,000 to be set aside to start an Operations Reserve Fund.

The Commission continues to operate on a very tight budget. The Commissioners review the financial statements on a regular basis throughout the year, focusing on any variances from the budget. Generally, there are no significant expenses above budget, without the approval of the Commissioners.

Included later in this report, is the Commission's Finance Summary and notes, as well as the detailed Auditor's Report

Howard Oakey.
Chairman

Recovery Fund

Howard Oakey	Chairperson and Commissioner	Bedford
Richard Miller	Member	Halifax
Dennis Richards	Member	Dartmouth
Douglas Dixon	Registrar	

There have not been any claims made against the Recovery Fund in 2005. The initial fees for the Recovery Fund will remain the same for 2006, as in previous years. Recovery Fund fees will be eliminated for all licence renewals where the applicant has been in a licensing category for five years. Should an applicant change from Salesperson or Associate Broker to Broker or Managing Associate Broker, they will be required to pay the Recovery Fund fee for the new category for a period of five years.

The Recovery Fund portfolio, which consists of bonds and mutual funds, performed significantly better in 2005 than it did in the previous three years. This has been due to the overall investment improvements in the world economy.

The Recovery Fund has provided funding to NSAR's Education Department. A grant of $25,000 was given to NSAR to offset course development costs for the previous year. The education grants from the Commission help keep licensing and continuing education costs reasonable for the people taking the courses.

The Recovery Fund was created to protect consumers when they suffer a financial loss due to fraud or breach of trust by an Industry Member. The Provincial Government has a regulation in place that requires the Commission to maintain a minimum balance of $300,000 in the Fund. Any monies in excess of that amount may be used for a variety of other purposes, such as public and professional education relating to the real estate industry, reform of the industry, promoting standardization and supporting just and desirable legislation affecting the industry.

Over the last sixteen years, the Recovery Fund has played a major role in funding many projects. Some of those projects include:

Grants supporting continuing education	$325,000
Subsidizing the development of the new SLC	$95,000
Grant towards new classroom facilities	$5,000
Distribution of R.E. Encyclopedias & Supp.	$27,000
Subsidizing Buyer/Seller booklets	$20,000
Standard Form exchange/update	$16,000
Development of Self Regulation	$250,000
Agency Task Force	$23,000
	$761,000

As you can see, the Recovery Fund has enabled many worthwhile projects to take place and the Fund is playing a very important role in supporting the advancement of professionalism, both with existing Industry Members and those entering the industry.

Howard Oakey
Chairman

Financial Statements of

NOVA SCOTIA REAL ESTATE COMMISSION

December 31, 2005

Deloitte.

Deloitte & Touche LLP
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Auditors' Report

To the Board of Directors of the

Nova Scotia Real Estate Commission

We have audited the balance sheet of the Nova Scotia Real Estate Commission as at December 31, 2005 and the statements of revenue and expenditures and, net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 17, 2006

Member of
Deloitte Touche Tohmatsu

NOVA SCOTIA REAL ESTATE COMMISSION

Balance Sheet

As at December 31, 2005

	2005	2004
ASSETS		
Current		
Cash	$ 169,482	$ 67,603
Restricted Cash	532	532
Accounts receivable	3,430	4,624
Accrued interest receivable	1,364	-
Due from Nova Scotia Association of Realtors	1,688	3,070
Prepaid expenses	2,697	959
Inventory - manuals	5,290	4,003
	184,483	80,791
Recovery fund investments (Schedule 1)		
(market value - $443,332; 2004 - $478,341)	400,645	460,267
Capital Assets (Note 3)	55,155	52,970
	$ 640,283	$ 594,028
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 61,287	$ 23,093
Funds held in trust	532	532
Deferred revenue	176,845	153,004
	238,664	176,629
Deferred capital grants	39,173	48,141
	277,837	224,770
NET ASSETS		
Recovery Fund (Note 4) (Schedule 2)	404,416	613,361
General Fund (Note 4)	(41,970)	(244,103)
	362,446	369,258
	$ 640,283	$ 594,028

NOVA SCOTIA REAL ESTATE COMMISSION
Statement of Revenue and Expenditures and Net Assets
Year ended December 31, 2005

	2005	2004
Revenue		
Recovery Fund		
Assessment income	$ 81,855	$ 72,335
Investment income	28,729	5,815
	110,584	78,150
General Fund		
Administration fees	2,260	3,670
Amortization of deferred capital grant	8,967	8,967
Background checks	7,560	3,180
Brokerage manuals	4,165	1,000
Buyer/seller guides	721	714
Claim recovery	-	1,285
Examination fees	34,875	27,630
Fines and penalties	8,300	8,300
IBTA interest	40,949	32,664
Investment income	2,479	681
Licensing fees	348,949	248,136
Real estate encyclopedia sets	-	530
Reinstatement of license	9,540	7,500
Unclaimed brokerage trust account income	-	9,994
	468,765	354,251
	579,349	432,401

Expenditures	2005	2004
Accounting	6,613	6,117
Advertising	1,417	495
Agency task force	-	16,071
Amortization	12,033	13,105
AGM and conference	1,449	2,863
Bad debt	500	-
Bank service charges	14,361	12,696
Benefits	33,815	27,220
Buyer/seller guides	3,880	2,129
Car allowances	2,040	1,610
Conferences	22,900	9,474
Computer	4,010	6,415
CRG meetings	-	5,235
Dues and subscriptions	4,634	3,874
Furniture and equipment	250	282
Hearing costs	12,849	11,261
Insurance	2,583	2,508
Legal	31,204	20,600
Maintenance	117	12
Miscellaneous	7,328	7,010
Office	3,566	3,300
Per diem	11,800	11,300
Printing	4,116	4,612
Photocopies	4,268	2,458
Postage and courier	10,856	9,235
Public Awarness Program	-	1
Rent, cleaning and utilities	52,454	61,878
Salaries	260,720	229,515
SPL and BM exams	6,275	4,929
Staff training	2,700	2,659
Staff travel	18,774	7,500
Taxes	3,001	3,005
Telecommunications	10,586	8,714
Travel and meetings	8,683	12,270
Transfer to Education by Recovery Fund	25,000	30,000
Website maintenance	1,379	1,482
	586,161	541,835
Deficiency of revenue over expenditures	(6,812)	(109,434)
Net assets, beginning of year	369,258	478,692
Net assets, end of year	$ 362,446	$ 369,258

NOVA SCOTIA REAL ESTATE COMMISSION

Statement of Cash Flows

Year ended December 31, 2005

	2005	2004
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Deficiency of revenue over expenditures	**$ (6,812)**	$ (109,434)
Items not affecting cash		
Amortization of capital assets	**12,033**	13,105
Amortization of deferred capital grant	**(8,967)**	(8,967)
Changes in non-cash operating working capital items	**60,221**	80,333
	56,475	(24,963)
Investing		
Sale of investments (net)	**59,622**	36,753
Purchase of capital assets	**(14,218)**	(4,897)
	45,404	31,856
NET CASH INFLOW (OUTFLOW)	**101,879**	6,893
CASH POSITION, BEGINNING OF YEAR	**68,135**	61,242
CASH POSITION, END OF YEAR	**$ 170,014**	$ 68,135

NOVA SCOTIA REAL ESTATE COMMISSION SCHEDULE 1

Investments

Year ended December 31, 2005

	2005	2004
Recovery Fund Investments		
	$ 400,645	$ 459,757

NOVA SCOTIA REAL ESTATE COMMISSION SCHEDULE 2

Schedule of Recovery Fund Transactions

Year ended December 31, 2005

	2005	2004
Net assets beginning balance	$ 613,361	$ 637,546
Revenue	110,584	78,150
Transfer to education fund	(25,000)	(30,000)
Transfer to general fund for administration - current and prior year	(212,674)	-
Transfer to commission - administration	(81,855)	(72,335)
Ending net assets	$ 404,416	$ 613,361

NOVA SCOTIA REAL ESTATE COMMISSION
Notes to the Financial Statements
December 31, 2005

1. DESCRIPTION OF BUSINESS

The Nova Scotia Real Estate Commission was established by the Province of Nova Scotia Bill No. 31 assented to December 20, 1996. Bill 31 is an Act to Provide for Regulation of Trading in Real Estate in Nova Scotia.

Included in these financial statements are the transactions of the Nova Scotia Real Estate Recovery Fund, which is administered and supervised by the Commission. The purpose of the Fund is to provide a self-insurance fund for licensed members in the Nova Scotia real estate industry within limits outlined in Note 5.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash

Cash is comprised of short-term amounts on deposit with financial institutions.

Capital assets

Capital assets are stated at cost.

Capital assets are being amortized on a straight-line basis at the following annual rates:

Furniture and equipment	10%
Computers	25%
Software	50%

Investments

Investments are recorded at cost unless there is a permanent decline in value at which time they are written down.

Amortization of grants from Recovery Fund

The grants were received from the Recovery Fund for the purchase of capital assets and are amortized to income on the same basis as the capital assets are amortized.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant management estimates in these financial statements relate to amortization of capital assets. Actual results could differ from these estimates.

NOVA SCOTIA REAL ESTATE COMMISSION
Notes to the Financial Statements
December 31, 2005

1. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	$ 13,686	$ (1,952)	$ 11,734	$ 2,241
Furniture and equipment	76,619	(45,150)	31,469	39,350
Color printer	8,263	(8,263)	-	679
Software	9,693	(6,277)	3,416	975
Leasehold improvements	14,092	(5,556)	8,536	9,725
	$ 122,353	$ (67,198)	$ 55,155	$ 52,970

4. NET ASSETS

	General Fund	Recovery Fund	2005	2004
Balance, beginning of year	$ (244,103)	$ 613,361	$ 369,258	$ 478,692
Excess of revenue over expenditures	(10,541)	3,729	(6,812)	(109,434)
Transfer to general fund	212,674	(212,674)	-	-
Balance, end of year	$ (41,970)	$ 404,416	$ 362,446	$ 369,258

5. NOVA SCOTIA REAL ESTATE RECOVERY FUND

The Recovery Fund exceeds the required minimum amount of $300,000 in cash and investments, and no longer carries insurance for indemnification purposes. Under the regulations, the maximum amount that may be paid from the Fund arising from a single real estate transaction is:

a) $15,000 to any claimant for a claim against a salesperson;

b) $25,000 to any claimant for a claim against a broker or manager; and

c) a total of $60,000 if there is more than one claim against a brokerage.

6. SHARED EXPENSES

The Commission occupies space in the Nova Scotia Association of Realtors building under a lease agreement between the Association and the Nova Scotia Real Estate Commission. The Commission is charged based upon space utilization. The Commission also shares the lease costs for the photocopier and fax machines, as well as other certain common expenditures that are prorated on a reasonable basis.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the commission's financial instruments approximates fair value due to their short-term nature.

Finance Summary

2005 Actuals & 2006 Budget - NSREC

SOURCE OF FUNDS					USE OF FUNDS				
Item	Notes*	2005 Budget	2005 Actuals	2006 Budget	Item	Notes*	2005 Budget	2005 Actual	2006 Budget
Administration Fees		2,000	2,260	1,400	Accounting		7,500	6,613	8,000
Assessment-Recov Fund	1	69,000	81,855	60,000	Advertising		500	1,417	500
Backgound Check Fees	2	6,300	7,560	6,000	AGM & Conference	12	900	1,449	4,000
Branch Office Fees	3	4,850	6,735	6,328	Background Checks		3,150	3,902	4,500
Broker Fees-New	2	1,800	5,100	2,400	Bad Debts			500	
Broker Fees-Renewal		26,013	25,723	34,348	Bank Charges		3,000	3,395	4,000
Brokerage Audit Fees	4	48,430	50,510	55,100	Investment Account Fees		11,400	10,966	12,000
Brokerage Fees-New		3,000	3,900	3,000	Benefits - Government		19,500	20,608	20,085
Brokerage Fees-Renewal		26,075	26,293	34,710	Benefits - Health		6,500	6,576	6,825
Brokerage Manuals	5	800	4,165	2,625	Benefits - RRSP Contribution		7,000	6,631	9,000
Buyer-Seller Booklets		1,000	721	800	Canadian District of ARELLO	6		8,368	
Canadian District of ARELLO Meetin	6		8,430	0	Car Allowance		2,040	2,040	2,040
Exam Fees	2	25,500	33,825	30,000	Computer - Hardware and Software		6,000	3,546	6,000
Exam Review Fees		950	1,050	1,000	Computer - Technical Support		1000	464	1500
Fines/Penalties		8,000	8,300	8,000	Conferences (Out of Province	13	17,000	22,900	20,700
Hearing Cost Recovery	7	11,000	0	10,000	Cost of Brokerage Man Sold	5	300	1,047	420
Interest-IBTA	8	47,500	40,949	45,000	Cost of Buyer-Seller Booklets		2,500	2,833	2,000
Interest Income-General	9	250	2,479	1,000	Depreciation	14		12,033	
Interest-Recovery Fund	10	17,000	28,729	35000	Dues, Subscriptions & Publica	15	3,200	4,634	4,200
Managing AB Fees-New	5	250	2,503	1,100	Facility Rental		0	904	1,000
Managing AB Fees-Renewal		3,800	3,873	5,248	Furniture & Equipment		400	250	400
Reinstatement of License		6,000	9,540	7,500	Hearing Costs	7	2,500	12,849	12,000
Salesperson/AB Fees-New	2	40,000	50,880	51,750	Insurance/Directors Liability		1,450	993	1,500
Salesperson/AB Fees-Renewal	2	167,470	173,432	222,098	Insurance/Property		1,650	1,590	1,650
Deferred Capitol Grant	11		8,967	8,000	Internet Research Project		2,000	500	0
Recovery Fund				0	Legal	16	10,000	31,204	15,000
Recovery Fund - Grants to Education		25,000	25,000	25,000	Maintenance		100	117	100
Revenue Totals		**$541,988**	**$612,779**	**$657,407**	Miscellaneous		3,000	2,933	3,200
					Office		2,500	2,662	3,000
					Per Diem	17	12,900	11,800	19,800
					Photocopies		6,000	4,268	5,000
					Postage and Courier	18	8,400	10,857	9,000
					Printing		5,000	4,116	4,500
					Provincial Reference Manuals				5,300
					Public Awareness Program		2,000	0	2,000
					Recovery Fund - Investment	19			15,000
					Rent, Cleaning, Utilities		57,500	52,454	58,100
					Reserve - General Operations	20			30,000
					Salaries	21	259,509	260,720	278,500
					Salary Review	21			3,000
					SPL & B/M Exams		5,500	6,275	5,800
					Staff Training		5,000	2,700	5,000
					Staff Travel		14,500	18,774	20,000
					Taxes		3,200	3,001	3,150
					Telecommunications		11,000	10,585	11,600
					Transfer to Education		25,000	25,000	25,000
					Travel & Meetings-Commission/Comr		11,000	8,745	11,000
					Website Maintenance		2,000	1,379	2,000
					Expenditure Totals		$543,599	$594,598	$657,370
					NET		-$1,611	$18,181	$37

***See Notes on the next two pages.**

Overall, the Revenue/Expenses for 2005 look very good. Revenues were higher than projected, mostly due to higher numbers of new applicants and a higher industry retention rate. On the Expense side, most expenses came in at or below budget. If you remove Depreciation and overages in Hearing Costs and Legal Fees from the Projected Expenses, expenditures come in close to budget. All renewal licensing fees were increased as of July 1st 2005, but only half of that increase is reflected in the 2005 fiscal year.

Depreciation was not included in last year's budget or the 2006 budget. It was decided to delete it from the working Source / Use of Funds statement and showing it as part of the expenses and balance sheet in the Accountant's Report.

2005 Actual -Finance Notes- 2006 Budget

Source of Funds

1. **Assessment – Recovery Fund** – The Actual for 2005 came in over budget due to the higher number of new Industry Members. The 2006 budget provides for the elimination of any Recovery Fund Fees for Industry Members with over five years experience in a licensing category.
2. **Licensing Fees** – All revenue related to licensing has come in significantly above budget due to higher numbers of new applicants and a higher retention rate of existing licensees. Some related expenses were also slightly higher. **New Licence Fees** – The Managing Associate Broker fee has been increased $25 and the Associate Broker/Salesperson Fee was increased $30. **Renewal Fees** - All renewal fees in the 2006 Budget are increased to $200 from the current $145.
3. **Branch Office Fees** - This category is higher mostly due to the requirement for offices that have signs posted being required to register as a branch office.
4. **Brokerage Audit Fees** – The fee in all categories were raised to cover the increased costs of travel and salaries related to audits.
5. **Brokerage Manuals** – The revenues were well over budget due to a rush of salespeople wishing to get their broker qualification under the existing education requirements.
6. **Canadian District of ARELLO** – Nova Scotia was the facilitator for a national meeting of real estate regulators. The revenue and costs net out with no extra expense to the Commission.
7. **Hearing Cost Recovery** – The 2005 Budget Revenues shows $11,000 for expected recovery related to the Pottie Hearing and Appeal. Approximately $10,000 of this amount has been awarded to the Commission by the Hearing Panel, but the respondent has up to three years to pay. The 2006 Budget includes the estimated costs of a new hearing anticipated for January.
8. **Interest - IBTA** – The 2005 Budget figure was higher than the Actual for 2004, anticipating a rise in interest rates. The interest rates did not go up, so the 2005 Revenue fell short of Budget. The 2006 Budget figure is again based on increasing interest rates.
9. **Interest – General Income** – The Commission has set up a Treasury Bill Account to hold excess funds until they are needed. This has increased the earnings.
10. **Interest – Recovery Fund** – The investment climate improved considerably in 2005, so the earnings were higher than budgeted for. Continued improvement is expected in 2006.
11. **Deferred Capitol Grant** – This is a bookkeeping entry related to the original purchase of office furniture/ leasholds and is not budgeted for.

Use of Funds

12 **AGM & Conference** – The 2005 Actual figure includes a portion of the luncheon expense and the costs of plaques for retiring Commissioners, as well as a gift for the outgoing Chair. The 2006 Budget figure allows for a $2,500 grant to the Atlantic Provinces Conference next September plus the same expenses as in 2005 for the Annual Meeting in March.

13 **Conferences (Out of Province)** – This category in 2005 was over budget because an additional trip was approved during the year for the Registrar to go to the "Competition in Real Estate" meetings in Washington. The overage also included higher hotel and flight costs than budgeted for in 2005. There are three additions

under the 2006 Budget. One is the Compliance Auditor going to the Canadian Regulators meetings in May, where she will have the opportunity to meet the senior staff of the other jurisdictions, as well as take part in the education sessions. The second is for the Chair or Vice-Chair to attend the ARELLO Conference in September. The last is the Registrar attending the NAR Conference in November.

14. **Depreciation** – As a not-for-profit, the Commission does not budget for Depreciation, but it is added in as a bookkeeping entry.

15. **Dues, Subscriptions & Publications** – Most of the overage in the category and most of the base expense is related to legal publications and their regular updates.

16. **Legal** – Approximately $23,000 of the overage in 2005 is related to the "Lawyers Trading In Real Estate issue". The 2006 Budget is increased to allow for dealing with the Stale Trust Funds issue and the incorporation of salespeople.

17. **Per Diems** – The 2006 Budget implements a Per Diem for Committee Meetings (Licensing, Complaint Review and Finance). Cost is approximately $6,900.

18. **Postage & Courier** – Most of the overage in 2005 is as a result of an extra province wide mail out. There is also a significant amount of postage added as a result of the trust and brokerage audit program.

19. **Recovery Fund Investment** – In 2006, the Commission does not plan to use any existing Recovery Funds for general operations and the 2006 Budget includes $15,000 being reinvested in the Fund.

20. **Reserve Fund – General Operations** – The Commission is initiating the building of a reserve fund of approximately half the Commission's annual budget, to be accumulated over a ten year period. This fund would serve two purposes. First, it would provide funds that would be accessible when cash flow is negative. Currently, it is necessary to redeem investments in the Recovery Fund whenever this occurs. Secondly, it would be prudent, from a long term management and planning perspective, to have six months operating funds in reserve. This would protect the Commission should there be significant changes in numbers of Industry Members or in the event large unbudgeted expenditures must be made.

21. **Salaries** – The 2006 Budget figures are increased by Cost of Living allowance of 3% and merit increases. More significant increases have been made to the three senior positions to keep the salaries competitive. The Commission has budgeted for an independent salary analysis to be conducted in 2006.

Summary of Significant Use of Funds Variations

The main items that are significant variances from the 2005 budget are:

Conferences (Out of Province)	5,900
Hearing Costs	10,349
Legal	21,204
Postage & Courier	2,457
Rent, Cleaning, Utilities	-5,046
Staff Travel	4,224
Total	$39,088

Election Procedures

Nova Scotia Real Estate Commission

Shown below is a summary of the voting procedures for the elections to be held at the AGM.

1. All persons licensed under the *Real Estate Trading Act* are entitled to vote either in person or by proxy.

2. Any person elected to serve as a Commissioner must be an Industry Member.

3. No corporation or partnership is eligible for election.

4. The only nominations to be considered for election are those listed in this *Notice of Meeting*.

5. Industry Members must return their ballots (their own plus those by proxy) to the registration desk if they leave at any time during the meeting.

6. The election shall be conducted by written ballot.

7. Ballots can indicate only one vote per nominee.

8. Ballots will be considered spoiled if the ballot indicates more than one vote or if it indicates more than one vote per nominee. It will also be considered spoiled if it does not clearly indicate for which nominee the vote is being cast.

9. A nominee will be declared elected if the nominee receives "50% plus one" of votes cast. For example, if there are 200 votes cast, the nominee must have 101 or more votes to be declared elected.

10. The person receiving the highest number of votes cast and declared elected, will be elected to a three year term.

11. Should a person not be elected after the first ballot, a second ballot will be held. The same procedure will be used in every ballot that follows until a person has been declared elected.

12. The nominee having the lowest number of votes will be dropped from the next ballot.

13. Any nominees having less than ten percent of the votes cast will be dropped from the next ballot.

14. The successful nominee will take office effective May 1, 2006 for a three year term.

Nomination for Election
to the
Nova Scotia Real Estate Commission

The following persons have met the requirements for nomination to the Nova Scotia Real Estate Commission and have agreed to let their names stand for election. A brief summary of their background and experience is provided on the next page.

Name	Brokerage	Location
Neil Black	Aberdeen Realty	Dartmouth
Roger Burns	Roger Burns Real Estate	Sydney
Roger Sanford	HLM Realties Ltd.	New Glasgow

TheNominee will be given the opportunity to address the Annual General Meeting for two minutes in order to help licensees determine how they will vote.

-Nominee Information-

Nominee: Neil Black

Brokerage: Aberdeen Commercial Realties **Location:** Dartmouth

Type of license: Broker **Years Licensed:** 9

Primary type of real estate practiced: Commercial

Degrees/Designations held:

Director/Executive experience in any organizations: Past President of the Mortgage Loan Association of NS; Past President of the Homebuilders Association of NS; Past Director - Halifax-Dartmouth Real Estate Board; Director - Canadian Naval Memorial Trust; Past President - Ward Four Resident's Association; Past President - Downtown Development Association; Director - Canadian National Institute for the Blind; Charter President - Dartmouth Chapter - Heart & Stroke Foundation; Recipient - Halifax-Dartmouth Real Estate Board - Board Builder's Award; Recipient - Queen's Golden Jubilee Medal

Other Experience: Currently the Chairman of the Nova Scotia Real Estate Commission.

-Nominee Information-

Nominee: Roger Burns

Brokerage: Roger Burns Real Estate **Location:** Sydney

Type of license: Broker **Years Licensed:** 12

Primary type of real estate practiced: Residential / Commercial

Degrees/Designations held:

Director/Executive experience in any organizations: Past Alternate Director of the Cape Breton Region of NSAR; Former MLS Chairperson of Cape Breton Region; Former Education Chairperson for Cape Breton Region

Other Experience: Currently a Commissioner of the Nova Scotia Real Estate Commission.

Nominee: Roger Sanford

Brokerage: HLM Realties **Location:** New Glasgow

Type of license: Salesperson **Years Licensed:** 27

Primary type of real estate practiced: Residential / Commercial / Land

Degrees/Designations held: Several through courses

Director/Executive experience in any organizations: President of Northern Nova Scotia Real Estate Board - 1.5 years, Director NSAR for two years

Other Experience: Real estate manager for two years.

Commissioners Attendance Record

Nova Scotia Real Estate Commission

Shown below is the attendance record of the Commissioners serving on the Nova Scotia Real Estate Commission between January 1, 2005 and December 31, 2005. There were a total of five Commission meetings held. The information below shows how many meetings each of the Commissioners attended of those they were expected to attend.

	Meetings Attended	Held
Neil Black	5	(5)
Roger Burns	5	(5)
Eldon Chaisson	4	(5)
Valerie Folk	5	(5)
Charles Lorway	0	(5)
Mary MacDonald	3	(3)
Howard Oakey	5	(5)
Charles Pace	3	(3)
Gus Wedderburn	3	(3)
Doug Dixon	5	(5)
Commercial Representative	(Appointed by the Commission - non-voting)	
John Walker	4	(5)

In addition to the Commission meetings, all the Commissioners participated in various committee work as shown at the beginning of this report.

Nova Scotia Real Estate Commission

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